

Message Text

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C O N F I D E N T I A L MILAN 1588

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1. AUGUST 28TH EDITION OF L'UNITA CONTAINED ARTICLE STATING THAT THE CGIL-CISL-UIL LABOR CONFEDERATION OF COMO HAD ANNOUNCED THE EXISTANCE OF A GRAVE SITUATION AT THE RANCO CONTROLS S.P.A. FIRM IN LOMAZZO, NEAR COMO. IT REFERRED TO PRESS NEWS (RESULTING FROM RANCO PRESS RELEASE DATED AUGUST 8) THAT THE AMERICAN PARENT FIRM, RANCO INC. OF COLUMBUS, OHIO (CORPORATE OFFICE, 2000 W. HENDERSON RD., COLUMBUS, OHIO 43220 TEL (614) 294-3511) HAD DECIDED TO LIQUIDATE THE LOMAZZO FIRM AT THE END OF AUGUST AND FIRE 773 EMPLOYEES. L'UNITA ADDED THAT THE NEWS HAD NOT BEEN DENIED.

2. ALSO ON AUGUST 28TH, IL GIORNO CARRIED AN ARTICLE, DATE-LINED AUGUST 27TH, WHICH BEGAN WITH THE QUESTION, "WILL THE 773 EMPLOYEES OF RANCO OF LOMAZZO BE DISMISSED AT THE END OF AUGUST"? THE ARTICLE CONTAINED A COMMUNIQUE FROM THE LABOR FEDERATION WHICH STATED THAT A MEETING BETWEEN THE POLITICAL FORCES, LOCAL INTERESTED ASSOCIATIONS, MEMBERS OF PARLIAMENT AND COUNSELLORS OF THE COMO REGION HAD BEEN CALLED FOR SEPTEMBER 1ST O RY TO DEVELOPE A MEANS OF PRESERVING THE JOBS AT RANCO.

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3. IL GIORNO OF AUGUST 29TH CONTAINED A LONG ARTICLE DATED AUGUST 28TH WHICH STATED THAT ON THE MORNING OF THE 29TH, A MEETING WOULD TAKE PLACE BETWEEN THE UNIONS AND MANAGEMENT, UNDER THE AUSPICES OF THE LOCAL UNION OF INDUSTRIALISTS TO DISCUSS CLOSING OF THE PLANT AND DISMISSAL OF THE LABOR FORCE. THE ARTICLE CLAIMED THAT THE SAME THEME WOULD BE THE SUBJECT OF DISCUSSION AT THE SEPTEMBER 1ST MEETING. THE FOLLOWING WEDNESDAY, THE CGIL-CISL-UIL UNITARY COUNSEL FOR THE ZONE WILL MEET TO TAKE THE INITIATIVE OF UNION ACTION TO FIGHT FOR ALL OF THE WORKERS OF THE ZONE TO DEFEND JOBS. THE ARTICLE CLAIMED THAT, THREE YEARS AGO, THE SAME UNIONS HAD OPPOSED A COMPANY PLAN TO INCREASE THE NUMBER OF EMPLOYEES TO 1200 BECAUSE THE COMPANY REFUSED TO GUARANTEE ADDITIONAL INVESTMENT IN AND DEVELOPMENT OF THE COMPANY. FELICE CORTI, ZONE LEADER OF THE FLM, IS QUOTED AS SAYING THAT IN JULY, THEY WERE LEFT WITH THE IMPRESSION THAT NOTHING WOULD BE DONE REGARDING THE USE OF CASSA INTEGRAZIONE OR ANY LAYOFFS PRIOR TO THE RETURN FROM THE AUGUST HOLIDAYS. INSTEAD, THEY READ A NEWS RELEASE IN A MILAN PAPER (GIORNALE NUOVO) ON AUGUST 9TH, THAT RANCO INTENDED TO CLOSE THE LOMAZZO PLANT. A SPOKESMAN FOR THE FACTORY COUNCIL WAS QUOTED AS STATING THAT THE COUNCIL WOULD NOT ACCEPT THE SITUATION AND WOULD OCCUPY THE PLANT AND ATTRACT PUBLIC ATTENTION. THE 30 AUGUST EDITION OF L'UNITA REPORTED THAT ON 29 AUGUST THE FACTORY WAS OCCUPIED BY THE WORKERS.

4. THE COMPANY PRODUCES THERMOSTATIC AND OTHER CONTROL DEVICES USED IN REFRIGERATION AND AIR CONDITIONING EQUIPMENT. IT ALSO PRODUCES SOME MINOR PARTS FOR THE AUTOMOBILE INDUSTRY.

5. IT WAS STARTED WITH 200 EMPLOYEES IN 1962 AND, AS A RESULT OF THE BOOM IN HOUSEHOLD APPLIANCES, QUICKLY GREW TO 400 EMPLOYEES. IN 1972, IT ACQUIRED A LOCAL FIRM (TOSI-SOMAINI) WHICH ADDED MORE THAN 300 EMPLOYEES TO ITS PAYROLL. THE UNIONS OBJECTED THAT WITHOUT A SHREWD INVESTMENT POLICY THIS SWELLING OF THE WORKFORCE WOULD REVEAL ITSELF AS UNRESPONSIVE TO THE EXIGENCIES OF PRODUCTION AND THE MARKET.

6. AFTER THE RETURN FROM THE AUGUST HOLIDAYS LAST YEAR, ALL THE WORKERS WERE PUT IN THE CASSA INTEGRAZIONE UNTIL OCTOBER. IN
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FEBRUARY OF 1975, THE COMPANY WANTED TO LAY OFF 305 WORKERS. THE UNIONS RESISTED THIS, BUT OFFERED TO RESCHEDULE VACATIONS AND HOLIDAYS AND USE THE CASSA INTEGRAZIONE.

7. PRESS RELEASE FROM RANCO CORPORATE OFFICE IN COLUMBUS, OHIO WAS DATED AUGUST 8TH, AT WHICH TIME, AS NOTED BY RELEASE ITSELF, THE ITALIAN FACTORY WAS CLOSED FOR VACATIONS.

8. UPON INVITATION FROM CONSUL GENERAL, CHAIRMAN OF THE BOARD AND PRESIDENT JAMES H. MANECKE AND VICE PRESIDENT IN CHARGE OF EUROPEAN OPERATIONS RANDAL ROBERTS MET IN EVENING OF AUGUST 29TH IN OFFICE OF CONSUL GENERAL TO DISCUSS SITUATION. THEY REQUESTED THAT CONVERSATION BE HELD STRICTLY CONFIDENTIAL. THEY CLAIMED THAT ALL POSSIBILITIES HAD ALREADY BEEN EXPLORED AND THAT BOARD HAD NO CHOICE BUT TO LIQUIDATE ITALIAN SUBSIDIARY BECAUSE OF LARGE AND CONTINUING DEFICITS. THEY SAID PRODUCTION AT PLANT WAS DOWN 40 PERCENT EVEN THOUGH PRODUCTION OF 5,000 UNITS A MONTH HAD BEEN DIVERTED TO IT FROM THEIR GERMAN SUBSIDIARY. ACCORDING TO MANECKE, THE BASIC PROBLEM IS THAT THEIR'S IS A HIGHLY CYCLICAL BUSINESS WHICH REQUIRES EXTREME FLEXIBILITY OF STAFFING LEVELS AT PLANTS, A FLEXIBILITY WHICH ITALIAN UNIONS ADAMENTLY REFUSE TO ALLOW. COMPANY PREFERS TO LOSE INVESTMENT IN PLANT AND EQUIPMENT RATHER THAN SELL AS ON-GOING BUSINESS BECAUSE THEY HAVE ENOUGH COMPETITORS ALREADY.

THEY FELT THAT THE MORNING'S MEETING WITH THE UNIONS HAD NOT BEEN SUCCESSFUL BECAUSE THEY WANTED TO NEGOTIATE TERMS OF LAYOFF AND UNIONS REFUSED TO ACCEPT FACT THAT COMPANY WAS INDEED TO CLOSE.

9. PREFECT OF COMO, MICHELE, VERY MUCH CONCERNED. TRADE UNION DELEGATION HAD CALLED ON HIM MORNING AUG 29, TO ASK GOVERNMENT INTERVENTION. IT CLAIMED MARKET FOR RANCO PRODUCTS EXISTS IN ITALY AND THAT MANAGEMENT PLANS SUPPLY FROM GERMAN AND OTHER PLANTS. PREFECT SAYS PROBLEM COMPOUNDED BY ABSENCE OTHER EMPLOYMENT IN VILLAGE OF LOMAZZO AND BY GENERAL ECONOMIC SQUEEZE. HE WARNS OF DANGER OF VIOLENCE AND BAD PUBLICITY FOR US FIRMS AS WELL AS US.

10. IN VIEW OF GRAVITY OF PROBLEM, HE HAD ALREADY NOTIFIED MINISTRIES OF LABOR AND INTERIOR WHILE HEAD OF EMPLOYERS ORGANIZATION HAD BROUGHT MATTER TO ATTENTION FORMIN RUMOR.

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11. MICHELE NOT OPTIMISTIC THAT LOCAL SOLUTION AVAILABLE. HE MENTIONED INNOCENTS-LEYLAND FORMULA AS A POSSIBILITY SINCE IT POSTPONED CRISIS IN HOPE OF BUSINESS UPTURN.

12. WE TOLD HIM THAT CLOSURE WOULD PROBABLY NOT HAVE BEEN DECIDED HAD MANAGEMENT BEEN ABLE NEGOTIATE CUT OF 300 FROM LABOR FORCE EARLIER IN YEAR. PERHAPS THIS WAS CASE WHERE HALF A LOAF WOULD HAVE BEEN BETTER THAN NONE. IN ANY EVENT, WE WERE DISMAYED AND HOPED SOLUTION MIGHT STILL BE FOUND.

13. MICHELE SAID THAT IDEA OF REDUCING LABOR FORCE ANATHEMA TO TRADE UNIONS BUT HE WOULD LET US KNOW IF ANY IDEAS EMERGED LOCALLY.

14. WHAT TO DO? WHEN CONGEN ASKED MANECKE IF RANCO WOULD

REVERSE DECISION IF WORK FORCE CUT TO ABOUT 400, HE WAS NOT ENCOURAGING. THAT, HE SAID, UP TO BOARD OF DIRECTORS (OF WHICH HE IS CHAIRMAN). THEY WOULD NEVER TURN A DEAF EAR TO A REASONABLE PROPOSAL. BUT HE COULD OFFER NO ENCOURAGEMENT.

15. EUROPEAN MANAGER, ROBERTS, MORE EXPLICIT AND UNDERScoreD FINALITY OF DECISION COME WHAT MAY.

16. WHETHER THERE IS CHANCE OF A DEAL INVOLVING REDUCED WORKFORCE, CASSA D'INTEGRAZIONE, CREDITS OR OTHER SWEETNERS TO MANAGMENT, AND LABOR IT IS TOO SOON TO GUESS, AT THIS POINT, HOWEVER, MOST USEFUL STEP MAY BE TO CONVINCE TRADE UNIONS ET AL THAT CLOSURE IS GENUINE AND NOT BARGANING PLOY. ONCE THAT HAS BEEN RECOGNIZED, IF IT EVER IS, SOME TRADE UNION FLEXIBILITY MAY DEVELOP UNLESS GOVERNMENT TAKES OVER PLANT THROUGH IRI OR SIMILAR INSTRUMENT. IN PRESENT ITALIAN CLIMATE EXPECTATION OF MIRACLE OF THE FISHES MAY STILL LOOK LIKE BETTER BET TO TRADE UNIONS THAN HALF A LOAF. AS FOR RANCO, THERE IS A SLIGHT CHANCE OF A REVERSAL WERE IT ABLE TO REDUCE ITS LABOR FORCE SIGNIFICANTLY.FINA

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